

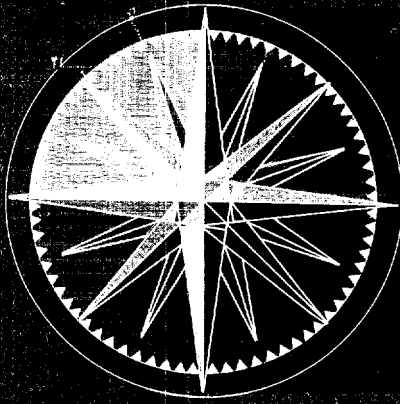
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# CURRENT INTELLIGENCE WEEKLY SPECIAL REPORT

OUTLOOK FOR THE ONGANIA REGIME IN ARGENTINA

CENTRAL INTELLIGENCE AGENCY  
DIRECTORATE OF INTELLIGENCE

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**SECRET****OUTLOOK FOR THE ONGANIA REGIME IN ARGENTINA**

Lieutenant General Juan Carlos Ongania, President of Argentina, came to power by military coup last June after the country had experienced more than three years of ineffectual rule under the constitutional government of Arturo Illia. Ongania promised sweeping economic reforms and eventual re-establishment of a viable political system, but after four months in office his government has made few concrete achievements. The public enthusiasm which greeted Ongania's rise to power has since diminished appreciably, and his failure to move more decisively has brought criticism from business, labor, and some military circles. It seems unlikely that Ongania will be completely successful in implementing his whole reform program, but no other leader commands as much respect and loyalty and, at present, there seems no realistic alternative to the authoritarian system which the military have instituted.

Coup and Immediate Aftermath

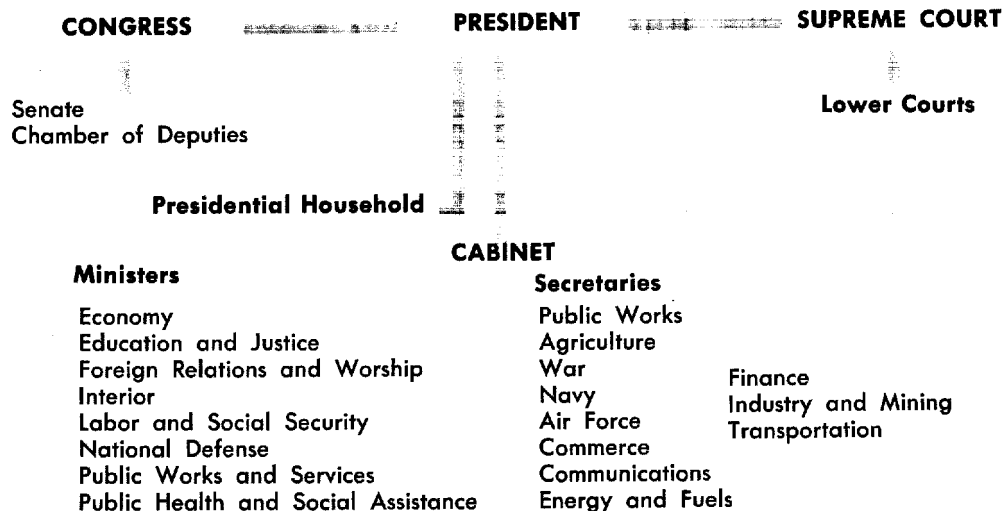
The coup which unseated Illia was the latest in a series of military interventions in Argentina --dating from the ouster of Hipolito Irigoyen in 1930--which ended the nation's long history of relative constitutional stability. Ironically the top generals who led the June 1966 move had come to be called "Azules," or constitutionalists, because of their often-voiced opinion that the military should stay out of politics and let elected officials run the government. However, they lost patience with Illia's inability to solve the country's pressing economic and political problems, especially the spiraling inflation, labor strife, and the threat of increasing Peronist strength in the elections originally scheduled for March 1967.

After months of careful planning, the generals deposed Illia in a bloodless coup that had been expected for weeks. They had informed the US of their intentions well in advance and apparently exiled former dictator Juan Peron as well. It was clear they planned to install General Ongania, a popular former army commander who had the loyalty of the three military services and was respected by a great percentage of the population.

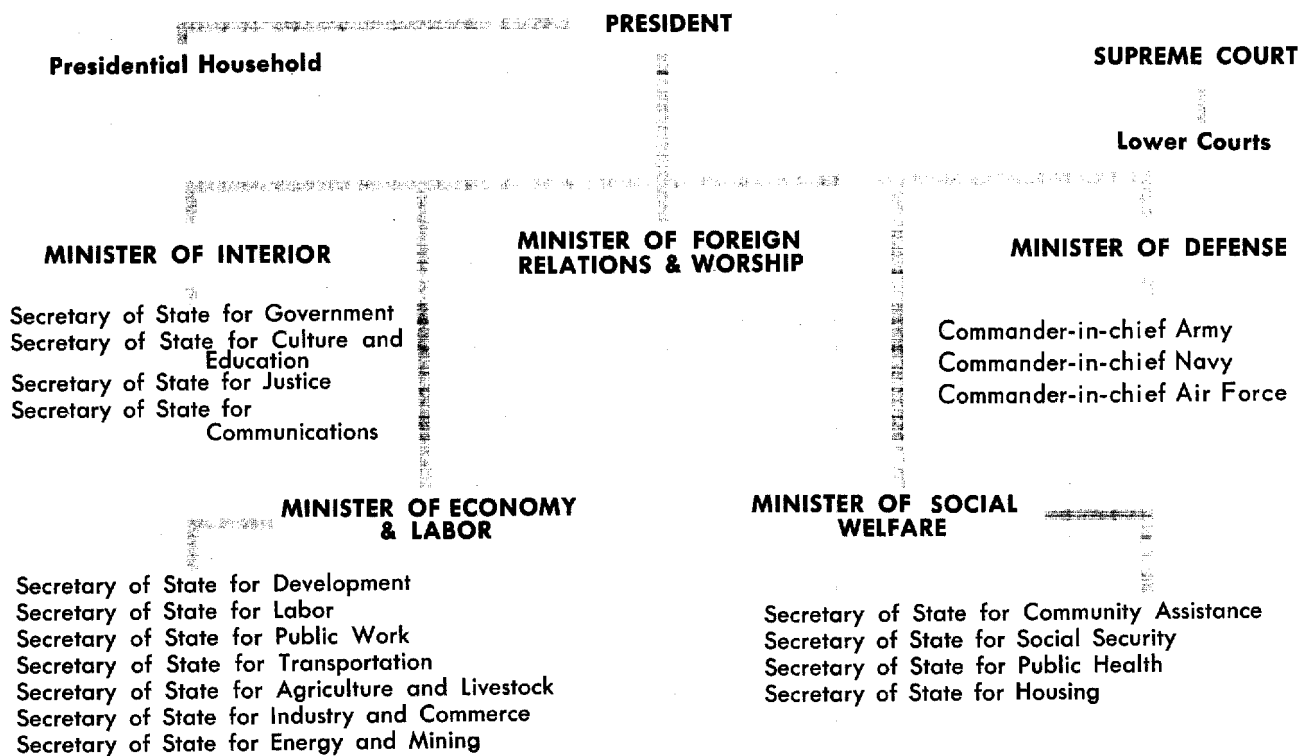
When Ongania finally did step in, he was received with enthusiasm in Argentina, and there was virtually no regret over the fall of Illia. The coup leaders were dismayed by the outburst from abroad, especially the strong condemnation in the US press and outspoken criticism by some members of the Organization of American

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States. However, most foreign governments resumed relations with Argentina within two weeks.

On assuming office, Ongania inherited the problems Illia had been unable to solve. These included serious inflation, spurred by wage increases in the first half of 1966 as high as 40 percent. Inefficiency in public enterprises and poor tax administration aggravated the deficit in the national budget. Labor strikes such as had plagued Illia during the first half of the year were again in prospect. The orthodox Peronists had shown unexpected strength in local elections, and continued to proclaim loyalty to their exiled leader. Communist influence in the national universities was marked. In foreign policy, Illia had been especially criticized for refusing to send troops to the OAS peace force in the Dominican Republic.

#### Regime's First Steps

The junta of coup leaders took immediate steps to gain control of the country's administrative machinery and to quash the petty political squabbling which had characterized Illia's administration. The junta dismissed the congress, the provincial governments, and the supreme court. It banned all political parties and confiscated their funds. It also dismissed all appointed or elected officials at the provincial and federal level and issued a decree, called the "Statute of the Revolution," which superseded the constitution and gave Ongania the power to rule by decree.

Ongania carefully selected his cabinet from civilians not identified with the existing political factions or previous regimes. No military officers on the active list were permitted to take government posts, although retired officers were appointed to some of the top jobs in the national administration and to head some of the provincial governments. The national cabinet was reduced to five ministries, and other posts were assigned to state secretaries subordinated to them (see chart). The government has indicated that further revisions will be made to streamline the machinery of government by consolidating separate agencies. Although the "Statute of the Revolution" authorizes Ongania to appoint a legislative council to assist him, he has so far made no move to do so or given any indication that he intends to. The vice presidency has been eliminated and the presidential succession passes technically to the minister of interior when the president is out of the country. Should the president be incapacitated, the three service chiefs, who formed the temporary junta before Ongania was sworn into office, would reconvene to select a successor.

#### Ongania Cracks Down

The coup in June 1966 had the general approval of the great mass of the people, but it elicited little display of emotion. Business went along as usual while the people awaited fulfillment of Ongania's promises. The initial approval, however, turned to

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dismay in many sectors when Onganía's selections for several key offices turned out to be professed nonpolitical conservatives who were in fact Catholic militants. Among these were Interior Minister Martinez Paz and intelligence chief Eduardo Senorans. Martinez' meeting soon after the coup with the head of the Tacuara organization, a neo-Fascist extremist group, and Senorans' reputation as a hard-line anti-Communist, led many observers to believe that the new government not only would move to the right, but would in time disclose similarities to some of the harsher aspects of the Franco regime in Spain.

Several incidents occurring after the coup did little to dispel these anxieties. In July, the government moved against credit cooperatives. The fact that these cooperatives are conducted mostly by Jews led to fears at home and abroad that a recurrence of anti-Semitism was at hand in Argentina, which has the second largest Jewish community in the hemisphere and has experienced anti-Jewish incidents in the past. Actually, the object of the move was to bring the cooperatives under Central Bank control, since they had in effect been conducting commercial banking operations largely free of effective regulation, and to eliminate a major source of funds for the Argentine Communist Party (PCA). Argentine intelligence had reported that some two thirds of the more than 1,000 credit cooperatives were either Communist-controlled or participated in a

Communist-controlled clearing-house system. Since its move against the cooperatives, the government has gone out of its way to assure the nation's Jews that they will be treated equally and fairly.

In Buenos Aires, another well-known rightist, retired navy captain Enrique Green, who is Onganía's brother-in-law, was appointed to a post in the city police and began a morals drive to clean up night clubs and newsstands. Communist magazines and newspapers as well as Playboy-type periodicals were seized and their importation into Argentina restricted. Green, in answer to a wave of criticism, claimed that such publications were "the seedbed of Communism" and that he was only enforcing laws that had been passed under previous administrations.

The step that caused the most concern, and which has continued to plague the government, was its decision to intervene in the operation of the eight autonomous national universities. The announcement of this policy was accompanied by a police raid in Buenos Aires which resulted in assaults on students and professors, including one American. The episode--which also raised a furor abroad--caused a wave of resignations by professors and student strikes and demonstrations.

Argentina's universities had previously been controlled by a tripartite administration of faculty, alumni, and students and

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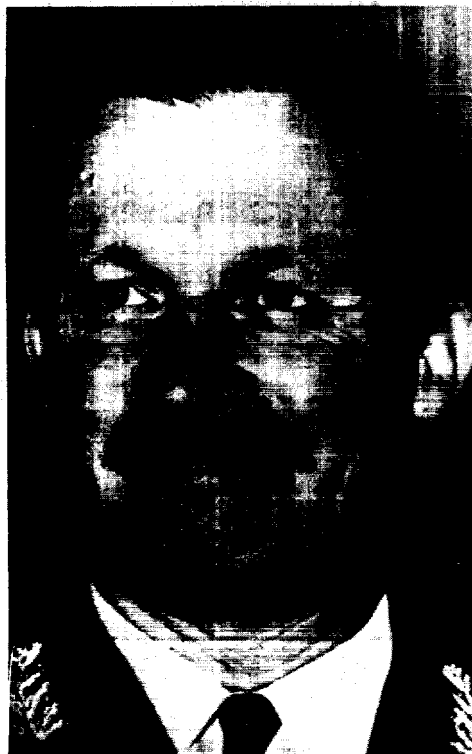
have long been criticized for permitting infiltration by Communists, and for meddling in politics. The universities have also been considered academically substandard. The government has appointed a panel of educators to draft a new university law which will guarantee academic freedom. Final authority henceforth will be vested in the secretary of education, however.

Although the situation has returned to near normal, about 15 percent of the faculty members who resigned have not returned, and probably are awaiting the announcement of the new regulations. Meanwhile, the government began to accept the resignations of those professors who it believed were Marxist oriented.

Ongania appears to realize that his policy toward the universities ought to have been better prepared and handled, even though the public has in general approved the demise of university autonomy. Since this crisis, the government has moved more slowly with major policy changes, and has become sensitive about its public relations and about preparing the public for reforms.

#### A New and Slower Phase

The present deliberate pace of government activity has elicited a great deal of press criticism likening Ongania's performance to that of Illia. Commentators who once referred to Illia as "the turtle" have begun to



call Ongania "the armored turtle." The press, however, is still somewhat inhibited by fear that Ongania might impose rigorous censorship if needled excessively. Soon after taking power, the government closed a weekly political humor magazine because of a cartoon depicting a walrus applauding the new government--an obvious allusion to the new President's bristling mustache. As a prudent measure, therefore, the press generally uses the device of quoting other critics in commenting on the regime.

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Ongania has made it clear,

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[redacted] that he intends to continue moving slowly and deliberately. The government's plans are far reaching, especially in the economics field, but little detail has been released to show how these plans will become reality.

The government plans to direct its major effort in the economic field toward ending inflation and increasing economic efficiency. It plans to accomplish this by curbing government spending and increasing revenues through improved tax administration. The administration plans to divest the government of unnecessary enterprises and improve the efficiency of those, such as the railroads and power companies, that it continues to operate. It will attempt to reduce the present foreign debt of \$2.4 billion, to achieve and maintain a favorable balance of trade, and to stimulate investment of private domestic and foreign capital.

Ongania and his economics minister, Jorge Nestor Salimei, a former banker, hope to accomplish all this without resorting to the austerity measures which have had to be employed in Brazil, and insist that full employment can be maintained while changes are being made. It seems doubtful, however, that in the near term the private sector could expand fast enough to absorb the number of surplus public sector workers that would have to be discharged to make the public enterprises more efficient.

Moreover, inflationary forces probably will not yield quickly to stabilization efforts, and this could jeopardize the government's chances of securing the debt relief and new development credits it needs from the country's international creditors. Foreign financial assistance is indispensable to the country's continued economic development. To obtain it in adequate quantities the government may eventually have to revise its economic program and apply more rigorous --and unpopular--stabilization policies than it has so far indicated.

The government's policy toward labor, the largest organized pressure group that could create obstacles for Ongania, has not been defined. The Peronists, who control most of organized labor, developed a reputation for terrorism and sabotage in the years immediately after Peron's fall from power, but they have more recently concentrated their efforts on strikes and slowdowns to achieve their ends. Ongania has told union leaders that they would remain free to operate openly as long as they confine themselves to legitimate union matters. The lack of union reaction to the coup, the appearance of union leaders at various government functions, and the acceptance of the compulsory arbitration law without a fight have made it appear that there is at least a tacit if not an arranged truce between the regime and the Peronists.

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However, union leaders ranging from Jose Alonso, leader of the orthodox Peronists, to Augusto Vandor, leader of the Peronist moderates, as well as independent union leaders, have all expressed concern and displeasure over government labor policy.

The government's intervention in the universities and its increased controls on Communist propaganda reflects serious concern among military leaders that Communism presents a very real threat to the stability of the nation. The Communist Party of Argentina (PCA)--which, with 60,000-65,000 members, is the second largest in Latin America (after Cuba)--is not, as elsewhere, rent with schisms over the Moscow-Peking dispute, and has only a few small fringe groups with no power or capability that could be classed as Maoist. The party devotes itself to theoretical attacks on the government and the middle class through extensive propaganda outlets, but it has made little effort to work actively against the present or previous governments. The Communists have long sought to ally themselves with the Peronists, but they have been rebuffed since they have little to offer and the Peronists realize that the PCA would only be using them as a vehicle to gain power.

In foreign affairs Ongania evidently wishes to assert a strong role commensurate with the importance and prestige of the

country. The generals' distress over Illia's refusal to send troops to the Dominican Republic was influenced to a considerable extent by the important role Brazil played in the peace force. Rivalry with Brazil for military leadership in the hemisphere is a strong facet of Argentine policy. The new government will probably strongly support the US in anti-Communist and anti-Castro activity, but it would also like to take independent initiatives in these areas. It seems likely too that the Argentine military will continue to seek a greater role in training and supplying the armed forces of neighboring countries.

The government has also committed itself to improvement of the equipment now used by its own armed services, some of which dates back to World War I, and has let it be known that it will look to Europe for aircraft, tanks, and modern weapons if the US fails to make available what it needed. The military, however, prefer US equipment and want to keep their close ties to the US armed forces.

#### Real Achievements and Developing Policies

As though in response to charges of "do-nothingness" in the early weeks of Ongania's regime and the critical comparisons to the administration it ousted, the government has begun to move in several fields, including those that have suffered from

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abuses and mismanagement since the days of Peron.

Thus, efforts are under way to end the chronic labor unrest in Tucuman Province, where sugar workers have been striking and demonstrating for over a year because of nonpayment of wages. To remedy the ills of overproduction and excessive production costs, the government has closed seven of the province's 27 sugar mills and has said it proposes to begin a program of crop diversification. It has made provisions for paying redundant workers until they can be reabsorbed elsewhere in the economy.

The government's 1966 budget was considered disappointing by those who had hopes of seeing in it clear indications of the way the government proposed to translate its plans into reality. Instead, it merely continued measures proposed by Illia which were never accepted by the congress. Economy Minister Salimei has answered critics by explaining that it was too late to make changes in 1966, and that the rationalization of state enterprises and the other groundwork for major changes would appear in the 1967 budget, scheduled for publication this December. Salimei also revealed that in 1968 a long-term national development program would be initiated.

The government has already taken a number of steps to hold down the budget deficit during the remainder of 1966. It has

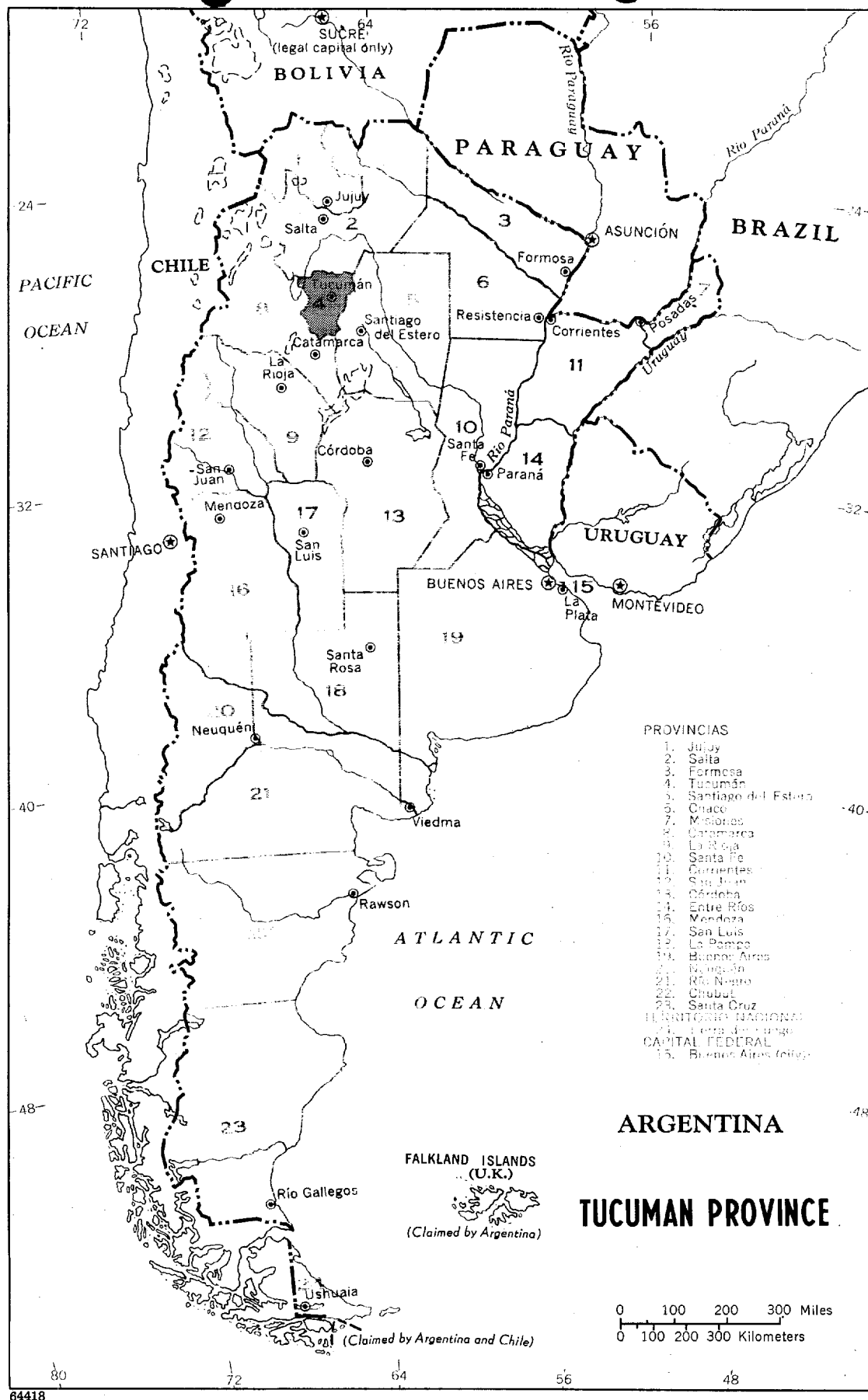
raised the prices on public utilities, curtailed investment spending, and made arbitration mandatory in labor disputes of national significance. President Ongania plans to announce shortly the start of a housing program, extensive road construction, and a cutback in the number of government administrative employees. The government has also announced that it will sell its radio and television stations and it has already taken steps to attract foreign capital to Argentina again, especially in oil production.

During the first week in October, the regime faced its first major confrontation with labor when it announced new work rules for dock workers, who for many years enjoyed short hours and exorbitant overtime pay, making Argentina's ports among the world's most expensive. Ten thousand dock workers in Buenos Aires promptly struck, but the government moved quickly to end the walkout, paving the way for the announcement of similar work rule changes for railroad workers, also notoriously inefficient. If the government is successful in the latter endeavor it could be a major step in improving the efficiency of the railroads and reducing the budgetary drain of their operations--which accounted for more than half of the 1965 government deficit.

#### Resumption of Politics

During its first few weeks in office, Ongania's cabinet

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members were approached by the press for information about their plans for an eventual resumption of political party activity and the possibility that elections would some day be held to return to constitutional rule. Interior Minister Martinez Paz told reporters that the administration was not particularly concerned about elections, and that more immediate problems had priority. Later, Ongania hinted that his ultimate aim is to return to the democratic process, but he has given no definite timetable.

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[redacted] Ongania is thinking in terms of holding power for five or ten years, or as long as it takes to complete the reforms he believes are needed to give Argentina a viable and stable political system.

Ongania has mentioned that he would prefer a two-party system representing liberal and conservative elements, and has stated in public that the government would not form its own party, as has happened in Brazil. Augusto Vandor has reportedly approached the government with a proposal that he be allowed eventually to form a labor party based on the support of the Peronist moderates. This appeal was rejected as premature. Other political interests, anxious to avoid a government crackdown, appear disposed to await developments and an improvement in the environment for normal political activity.

One factor distinguishes the latest military coup in Argentina

from those in the past. In all previous military take-overs, the generals or admirals who took power had to face the threat that they in turn would be overthrown by dissident military elements. This time, the three military services were united behind the man they brought to power and have continued to give him their support. Nevertheless, some of the army generals who planned the coup, and senior officers in both the navy and air force, have expressed their dissatisfaction with the slow progress of the regime in instituting reforms and with some of the regime's policies.

The generals have not hesitated to tell Ongania that they are unhappy and that they want a greater role in the decision-making process. Although he has cautioned them to be patient, it seems likely that these individuals will continue to try to influence Ongania in the effort to mold the government to their own tastes. The president is strong willed and cannot be pressured, but he has agreed that he ought to make certain cabinet changes in order to improve the quality of his working team.

So far, only one cabinet member, Labor Secretary Tamborena, has left the government. Ongania admits that Interior Minister Martinez Paz, who has been roundly criticized by the generals, will also have to go. The military officers also object to Economics Minister Salimei and seem to prefer the

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more conservative economic theories of Alvaro Alsogaray, who is currently ambassador to the US. Before the end of 1966, there will be a number of promotions and retirements among the senior officers, and Ongania may then be free to make changes to keep his most outspoken critics from positions of great influence.

**Outlook**

There appears to be little danger that Ongania's power or prestige can be so seriously eroded that he would be unable to remain in firm control through the coming year or so. Beyond then, the outlook is less certain, since the government will probably have attempted to institute some extensive and unpopular reforms preparatory to the long-term pro-

gram it plans to begin in 1968. These reforms will undoubtedly arouse substantial opposition from various quarters which could, in turn, force the government to adopt increasingly authoritarian measures in order to ensure the success of the reforms.

At present there seems to be no realistic alternative to Ongania. There is no other military officer in sight who commands such wide public respect and the loyalty of all the armed forces. Should he become frustrated and step down, Argentina would again be faced with the kind of chaotic conditions that followed the overthrow of Peron, marked by a further deterioration of the economy. (SECRET NO FOREIGN DISSEM)

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